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Reducing Costs and Improving Service Delivery with IT Consolidation

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In today's difficult business environment, companies are looking for ways to reduce costs wherever they can. IT is not immune to this cost reduction requirement even while increasingly being called upon to provide mission-critical services that support and enhance business initiatives. IDC has found that a majority of organizations are turning to process frameworks such as the IT Infrastructure Library (ITIL) and consolidation to streamline and standardize their own processes in an effort to help reduce costs and increase productivity. Implementing ITIL can help organizations better manage and improve the levels of service delivered to the business and set the stage for improving efficiency through consolidation.

The following questions were posed by BMC to Joseph Pucciarelli, program director for IDC's Technology Financing & Executive Strategies practice.

Q. What IT initiatives can best support the strategic objective of reducing IT costs without sacrificing service quality or service delivery?

A. Reducing costs is all about process management, that is, having standardized systems and processes in place that streamline IT operations and then building on those standard processes by automating them. That's really what IT organizations are struggling with — the workflows, the processes from all the different technologies, and the ensuing lack of automation. The imperative for IT is always to get the project done as quickly as possible. Unfortunately, we must then come back, after the fact, and try to improve the processes.

Many organizations are looking for process models — such as ITIL, Six Sigma, ISO 20000, or COBIT — to run their IT departments. IDC finds that typically more than two-thirds of IT organizations have aggressively embraced the ITIL standards; those that are not using ITIL are using some combination of other process models.

The reason IT organizations use process models is to reduce cost without sacrificing service quality; they achieve this in two ways. One, standardized processes help synchronize everyone on the team. This reduces errors, rework, and incomplete handoffs. Two, standardizing the methodologies provides a foundation for automating processes such as provisioning business services and automating workflows. To the extent that IT can accomplish these tasks, there are benefits in both cost and service.

For a variety of economic reasons, we have seen many large organizations merge or acquire other companies, and with the shifting economy, even more of this activity is likely.

As a result, most enterprise IT organizations have IT infrastructures that have been patched together, and processes are fragmented. These companies have a huge opportunity to consolidate and simplify their complex infrastructures. This can be done through service desk consolidation, which will save money in software licensing, maintenance, and support costs, as well as reduce IT labor requirements by getting everyone using the same process model; datacenter consolidation, automation, and virtualization enabling substantial increases in operational efficiency; and vendor and platform standardization as combined IT organizations often suffer from "vendor" sprawl.

Q. When consolidating multiple IT help desks into a single centralized service desk, what key factors should be considered?

- A. From a tools and technology perspective, organizations should consider a number of factors: a common user interface across multiple IT service management functions; multitenancy technology that provides the ability to partition data, views, and workflow by business unit, region, language, or supported customer; the ability to model ITIL process flows to work instructions and get different organizations speaking the same language by utilizing ITIL best practices; and a central knowledge base for all users and IT support staff.

The organizations that are successful in migrating to a consolidated service desk implement really effective knowledge management processes. They can capture, quantify, and codify the knowledge that their team has developed over the years in supporting individual business units and needs. Codifying that information into a centralized knowledge management system enhances the transfer of that knowledge.

Whenever an organization is doing any kind of consolidation, people will always be involved, and it's always a challenge to manage those human elements. None of us is genetically hardwired to embrace change. When consolidation efforts are successful, attention typically has been paid to knowledge management for a while so that good processes and good documentation are in place and institutional knowledge has been captured. In addition, very careful attention has been paid to the human factor in considering both the individual needs of the people and the overall service levels. It's not unusual for organizations that have successfully consolidated service desks to overstaff a bit for a period of transition. This can provide that incremental capacity to manage and soften the transition.

Q. To enable and advance datacenter consolidation, what core technologies should be in place to ensure success?

- A. When we're considering datacenter consolidation, what we're often talking about is improving asset utilization — the utilization of equipment, facilities, and people.

Improving the utilization of equipment — be it servers or storage — typically starts with a review of virtualization technologies. Virtualization has the potential to reduce the number of physical devices required and allow an organization to consolidate multiple datacenters by saving on facility costs and hardware.

The other real challenge in datacenter consolidation is that organizations are often dealing with a tremendous range of technology, configurations, and components for which they typically have inadequate or incomplete information.

Organizations that have successfully consolidated their datacenters typically have a strong configuration management database or CMDB — a system that includes detailed information about how the various IT devices and software are configured. Within a CMDB, they have good information that has been consolidated and codified. That information is up to date and is accessible to the various constituencies that need it.

To achieve this, organizations need good processes that enable people to share information in a systematic way. And to do that, organizations typically need a CMDB and strong service desk automation.

I know of a financial services firm that has over 140 steps in its workflow process to acquire, implement, configure, test, and certify a new server. With a 140-step procedure, there are a large number of handoffs among the many individuals within the organization. All the internal customer sees is how long it takes to provision a request for a new service. For IT, such a request is considerably more complex — a multistep process. Without a centralized process repository that allows IT to work from the same playbook, we end up with execution problems — issues with service delivery and service management — as well as a lot of manual labor. The possibilities for service automation in a situation like this are obvious — and exciting!

Q. How can I manage my IT vendors and suppliers more efficiently to make better-informed decisions and reduce my expenses?

A. Many complex business relationships are governed by big, thick contracts, and there's often the sense that once the contract is signed, the parties will never have to look at it again.

Healthy and productive business relationships typically involve transparency, systematic communication, and well-defined and consistent processes. Another way of saying this is that each party to a contract has expectations. These expectations are organic — they evolve with changing requirements and circumstances. Inevitably, over time, the expectations tend to drift from the formal procedures outlined within a contract.

To manage vendor relationships and suppliers more effectively, organizations should sit down once a quarter, at a minimum, and review the contract and the key performance indicators. Such reviews provide the opportunity to talk about those points for which there isn't total agreement or follow-through.

The reality for most IT organizations is that they must manage relationships with many vendors — often more than 100. Doing this manually is error prone and time consuming, which is why many organizations don't perform regular vendor reviews. An automated system that captures key contract performance, cost, payment, and renewal terms and obligations for all IT contracts, including assets and vendor services, can help to identify repetition and waste by enabling a ready comparison of cost, value, and risk.

Often, the lack of systematic processes around the management of these relationships is what causes the drift; many of us fall into the habit of doing things on an ad hoc basis and "drift" from proscribed processes. Communication is great; more communication is better. Having systematic processes wrapped around it is what makes a relationship exceptional and really effective.

Of course, tools can enhance vendor relationships. Having quality and consistent vendor management information, having that information available without spending a lot of time gathering it, and then having the information visible on a consistent basis to all the parties involved can facilitate effective relationships.

Q. What should you look for when selecting a vendor to help you with these IT initiatives?

A. The whole process of selecting a vendor can be intimidating, but it's also a tremendous opportunity. The first thing you need to do is get a sense of where you are and where your organization wants to be in terms of process within two or three years.

In terms of vendor choices, where you want to be in the future should absolutely influence your decision today. It's not just about selecting a vendor that has capabilities that match today's requirements; it's also about determining what vendor can be your strategic partner, meeting your needs as your organization changes and grows.

To do that, you have to have a good understanding of the breadth of a vendor's capabilities within its technical portfolio. A strategic vendor can provide the vision for your IT department and enable integration at key points to form a comprehensive management platform. It's also equally important to have a good understanding of the vendor's overall business strategies, goals, and objectives. Does it have a history of acquiring other business operations? If it's a public company, has it been consistently profitable? Has it consistently innovated with new products or markets, or stayed closer to one business sector?

When you select a vendor and add it to your portfolio, please keep in mind that you likely will be doing business with that vendor for many years. So you want to understand how the vendor approaches the relevant process standards and frameworks. Does the vendor fully embrace them, or does it talk around the edges? What is the vendor's long-term commitment to various standards and frameworks? Does the vendor offer training and certification? Does the vendor have a user group with which you can exchange best practices?

A productive vendor selection process includes both quantitative and qualitative elements: Capability, quality, and future outlook must be factored in and weighed appropriately.

ABOUT THIS ANALYST

Joseph Pucciarelli provides wide-ranging research on IT leasing and financing strategies for both providers and IT organizations; IT organization management practices such as chargeback, funding strategies, and capital allocation strategies; and IT organization financial practices such as equipment and software capitalization guidelines, vendor management, and on-demand contract management.

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